



June 26, 2015

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: United States Cellular Corporation

Re: Expanding the Economic and Innovation Opportunities of Spectrum Through  
Incentive Auctions, GN Docket No. 12-268 and AU Docket No. 14-252

Re: Competitive Bidding Rules - WT Docket No. 14-170, GN Docket No. 12-268, RM-  
11395 and WT Docket No. 05-211

Dear Ms. Dortch:

In accordance with Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, we hereby provide you with notice of an oral ex parte presentation in connection with the above-captioned proceedings. On June 24, 2015, the undersigned met with Commissioner Mignon Clyburn, and Louis Peraertz and Misha Guttentag of her staff.

**600 MHz Incentive Auction**

During the course of meeting, U.S. Cellular discussed the upcoming 600 MHz auction and in doing so expressed support for its previously filed joint proposal with T-MOBILE to have the Commission adopt an assignment phase mechanism which would involve the use of a nonmonetary mechanism for bidders to express license preferences. Adoption of such a mechanism would eliminate the otherwise very real risk of a failure of the forward auction caused by bidders withholding monetary bids during the clock phase of the forward auction in an effort to conserve money for a potentially costly assignment phase. Use of a draft structure is also simpler for bidders to administer due to the relative ease of ranking markets as opposed to assigning dollar values to each market.

An assignment phase where smaller competitive carriers are systematically outbid and relegated to higher impaired blocks of spectrum also risks injuring the competitive wireless industry. We also stressed the fact that non-national carriers lack the ability to run sophisticated auction bidding “war rooms” necessary to effectively compete in an assignment phase involving monetary bidding.

Our proposal for an NFL style draft selection of licenses avoids the potential for a failure of the forward auction to achieve the revenue necessary to close the auction at an appropriately high clearing target and ensures all bidders an opportunity to prioritize markets of importance to them during the assignment phase.

### **Competitive Bidding NPRM**

During the meeting, we again urged the Commission to generally maintain the current Designated Entity (“DE”) program, while also ensuring, through adoption of the proposals set forth in the NPRM, that small businesses continue to have an opportunity to participate in the provision of spectrum-based services. We therefore stressed that the Commission must not adopt rules that would undermine, and possibly even destroy, the DE program due to concerns regarding Auction 97 that are unrelated to the DE program itself. For instance, we again expressed our opposition to restrictions on the percentage of equity ownership held by DE investors, minimum equity requirements for the controlling interest(s) in a DE, and extended unjust enrichment periods, explaining that such requirements would make it even more difficult, and perhaps impossible, for DEs to obtain financing.

In particular, we discussed our opposition to proposals from various parties to “cap” the amount of bidding credits a DE may claim for a given auction. We stressed that, in addition to being far lower in dollar amounts than the Auction 97 bidding credits alleged to be abusive, the unreasonably low caps proposed by some commenters would effectively prevent DEs from competing for spectrum in multiple markets. The proposed caps would prevent a DE from operating with sufficient scale to sustain itself in the industry, let alone become a viable competitive threat to the currently dominant carriers.

As a demonstration of the importance of bidding credits, we provided the attached maps, which depict respectively the market areas actually won by U.S. Cellular’s DE partners King Street Wireless in Auction 73 and Advantage Spectrum, L.P. in Auction 97, as well as the areas these applicants would have won on a *pro forma* basis without bidding credits, but assuming the same total outlay. In applying this constraint and thus reducing the number of licenses won, we assumed that King Street and Advantage Wireless would have bid for and won the markets with the highest population density, a reasonable assumption given the economics of deploying networks in low-density areas. The difference in the numbers of markets won with and without bidding credits, with all other factors kept constant, is stark. In the case of King Street, the reduction in the number of markets won without bidding credits would have resulted in curtailing the aggressive LTE deployment that it has been able to achieve. Moreover, the impact in rural markets would have been most severe.

In response to a question regarding whether a bidding credit cap of any size would be reasonable, we noted that aggregate caps below \$150 million nationwide would make it very difficult for DEs to partner with mid-sized carriers or otherwise obtain the financing

necessary to acquire spectrum resources sufficient to compete in today's wireless marketplace.

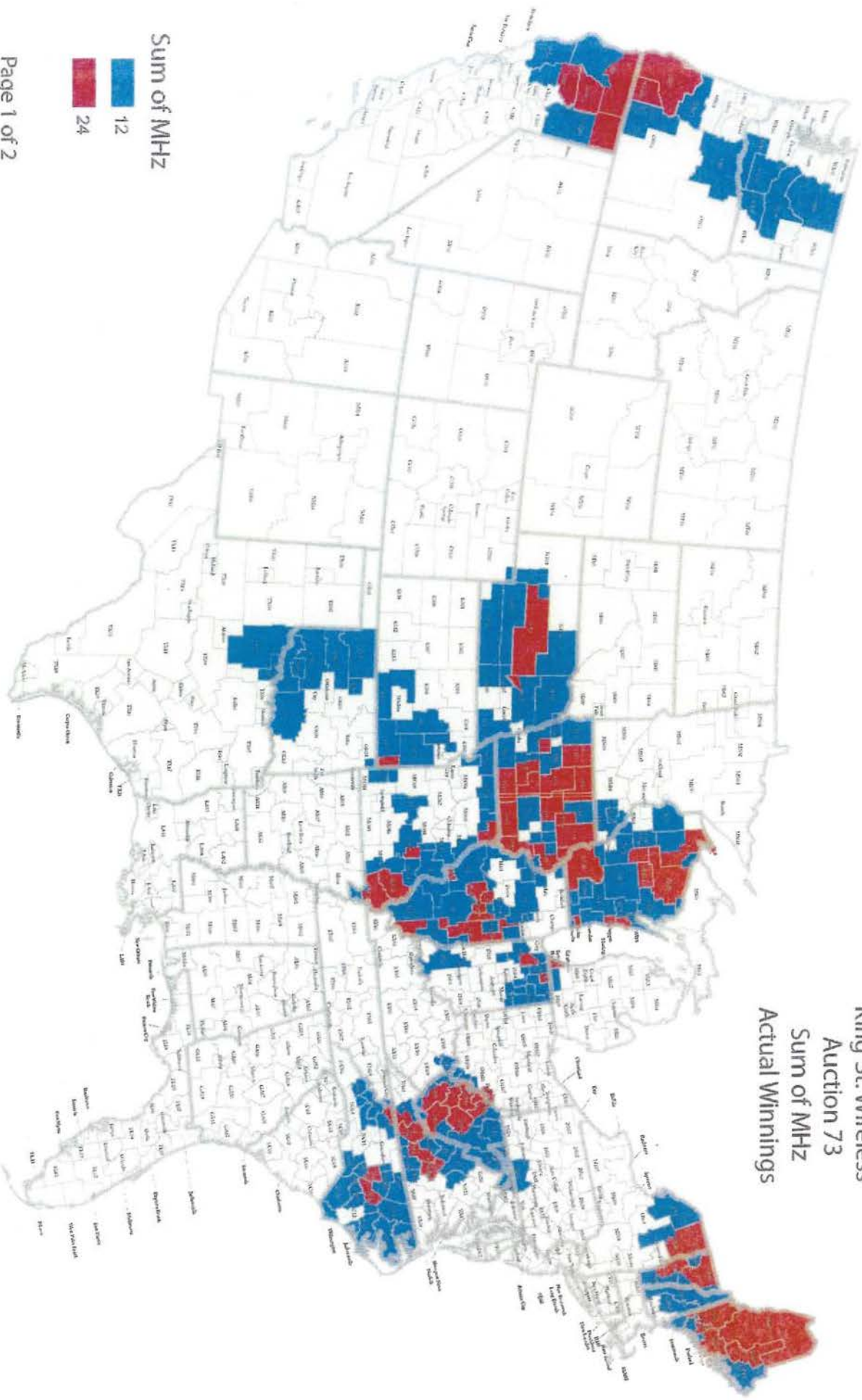
Sincerely,

/S/

Grant B Spellmeyer  
Vice President – Federal Affairs & Public Policy

Commissioner Mignon Clyburn ([mignon.clyburn@fcc.gov](mailto:mignon.clyburn@fcc.gov))  
Louis Peraertz ([louis.peraertz@fcc.gov](mailto:louis.peraertz@fcc.gov))  
Misha Guttentag ([misha.guttentag@fcc.gov](mailto:misha.guttentag@fcc.gov))

King St. Wireless  
Auction 73  
Sum of MHz  
Actual Winnings



Sum of MHz

12

24

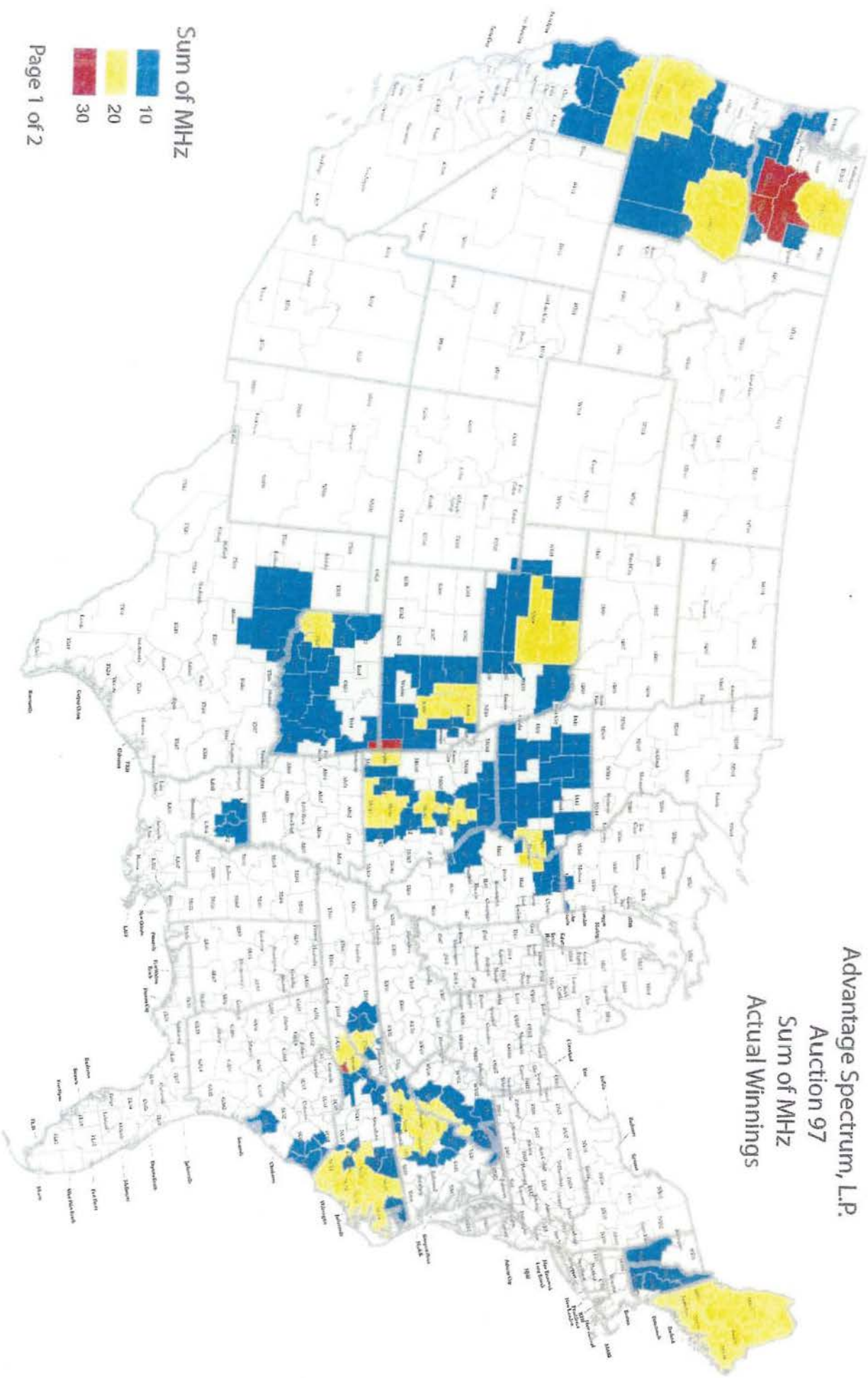


**Auction 73**  
**Sum of MHz**  
**Proforma Winnings**  
**with no discount**

12

12

Advantage Spectrum, L.P.  
Auction 97  
Sum of MHz  
Actual Winnings



Sum of MHz

10  
20  
30

Advantage Spectrum, L.P.  
Auction 97  
Sum of MHz  
Proforma Winnings  
with no discount

